

5/29/2014

KONSEP BEGROTING 2014 /15 **2014/15 TO 2016/17 MEDIUM TERM INKOMSTE EN UITGAWE VOORUITSKATTINGS**

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ANNEXURE A : TARIFF 2014/2015

AFDELING 1 – JAARLIKSE BEGROTING

SEE ATTACHED THE BUDGET SPEECH 2014/2015 WHICH INCLUDE THE FOLLOWING

TWO ITEMS:

- 1.1 MAYOR'S REPORT **ANNEXURE: BEGROTINGSREDE**
 1.2 COUNCIL'S DECISION **ANNEXURE: BEGROTINGSREDE**

The following budget principles and guidelines directly informed the compilation of the 2014 / 2015 MTREF:

- The 2013/14 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2014 / 2015 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- That service tariff increases be limited to 6% in line with South African Reserve Bank's inflation target.

1.3 OPERATING REVENUE FRAMEWORK

For Karoo Hoogland Municipality to continue improving the quality of services provided to its citizens, it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

THE MUNICIPALITY'S REVENUE STRATEGY IS BUILT AROUND THE FOLLOWING KEY COMPONENTS:

- National Treasury's guidelines and macro-economic policy;
- Growth in the KHM and continued economic development;
- Efficient revenue management, which aims to ensure a 95 percent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the KHM.

The following table is a summary of the 2014 / 2015 MTREF (classified by main revenue source):

Table 1 Summary of revenue classified by main revenue source

NC066 Karoo Hoogland - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1									
Revenue By Source										
Property rates	2	3 103	–	–	5 340	5 835	5 835	4 862	5 083	5 388
Property rates - penalties & collection charges			185							
Service charges - electricity revenue	2	5 713	–	–	8 945	8 075	8 075	8 669	9 378	10 070
Service charges - water revenue	2	2 286	–	–	2 565	2 415	2 415	2 700	2 970	3 267
Service charges - sanitation revenue	2	1 627	–	–	2 117	1 900	1 900	1 733	1 837	1 947
Service charges - refuse revenue	2	–	–	–	1 643	1 625	1 625	1 759	1 865	1 977
Service charges - other			(1 583)							
Rental of facilities and equipment			519							
Interest earned - external investments			109							
Interest earned - outstanding debtors			329							
Dividends received										
Fines			6							
Licences and permits			2							
Agency services			140							
Transfers recognised - operational			31 478		17 339			17 403	18 707	19 525
Other revenue	2	1 873	–	–	19 145	19 191	19 191	2 343	2 507	2 695
Gains on disposal of PPE										
Total Revenue (excluding capital transfers and contributions)		14 603	31 184	–	57 094	39 041	39 041	39 469	42 347	44 868

Table 2 Operating Transfers and Grant Receipts

NC066 Karoo Hoogland - Supporting Table SA18 Transfers and grant receipts

Description R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		-	-	-	16 438	16 438	16 438	17 403	18 707	19 525
Local Government Equitable Share					13 898	13 898	13 898	14 669	15 790	16 407
Finance Management					1 650	1 650	1 650	1 800	1 950	2 100
Municipal Systems Improvement					890	890	890	934	967	1 018
Other transfers/grants [Library]										
Provincial Government:		-	-	-	-	-	-	715	765	820
Other transfers/grants [Library]								715	765	820
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Operating Transfers and Grants	5	-	-	-	16 438	16 438	16 438	18 118	19 472	20 345
Capital Transfers and Grants										
National Government:		-	-	-	11 805	11 805	11 805	10 490	8 536	9 183
Municipal Infrastructure Grant (MIG)					10 805	10 805	10 805	8 890	8 036	8 183
Municipal Infrastructure Grant (MIG)					1 000	1 000	1 000	1 000	500	1 000
Regional Bulk Infrastructure								600		
Other capital transfers/grants [insert desc]										
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Capital Transfers and Grants	5	-	-	-	11 805	11 805	11 805	10 490	8 536	9 183
TOTAL RECEIPTS OF TRANSFERS & GRANTS		-	-	-	28 243	28 243	28 243	28 608	28 008	29 528

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the KHM.

The percentage increase Eskom bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the KHM.

Discounting the impact of these price increases in lower consumer tariffs will erode the KHM's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the KHM is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the KHM has undertaken the tariff setting process relating to service charges as follows.

1.3.1 PROPOSED TARIFFS

The proposed tariffs are set out in **Annexure A** to the report.

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA).
- 100 percent rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 percent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
 - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
 - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
 - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
 - The property must be categorized as residential.

- The Municipality may award a 100 percent grant-in-aid on the assessment rates of rateable properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

1.3.2 SALE OF WATER AND IMPACT OF TARIFF INCREASES

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2014.

In the case of KHM, the additional cost incurred via depreciation and maintenance associated with the grant expenditure, has forced Council to increase the tariffs beyond the inflation targets and will do so in the foreseeable future. Better maintenance of infrastructure and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability.

The tariff structure of the 2014 / 2015 financial year has not been changed. The tariff structure is designed to charge higher levels of consumption a higher rate.

1.3.3 SALE OF ELECTRICITY AND IMPACT OF TARIFF INCREASES

NERSA has announced the revised bulk electricity pricing structure. A 8.06 percent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2014

Considering the Eskom increases, the consumer tariff had to be increased by 7.39 percent to offset the additional bulk purchase cost from 1 July 2014. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Registered indigents will again be granted 50 kWh per 30-day period free of charge.

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2014. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). The KHM has entered into discussions with NERSA regarding the suitability of the NERSA proposed stepped tariffs compared to those already being implemented by the KHM. Until the discussions are concluded, the KHM will maintain the current structure of its electricity tariffs.

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the KHM. Most of the suburbs and inner KHM reticulation network was designed or strengthened in the early 1980's with an expected 20-25 year life-expectancy. The upgrading of the Fraserburg electricity network has therefore become a strategic priority, especially the substations and transmission lines.

The approved budget for the Electricity Division can only be utilised for certain committed upgrade projects and to strengthen critical infrastructure (e.g. substations without back-up supply). It is estimated that special funding for electricity bulk infrastructure to the amount of R15 million over five years will be necessary to steer the KHM out of this predicament.

Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers.

1.3.4 SANITATION AND IMPACT OF TARIFF INCREASES

A tariff increase of 7 percent for sanitation from 1 July 2014 is proposed. This is based on the input cost assumptions related to water. It should be noted that electricity costs contributes approximately 20 percent of waste water treatment input costs, therefore the higher than CPI is actually needed as an increase for sanitation tariffs.

1.3.5 WASTE REMOVAL AND IMPACT OF TARIFF INCREASES

A 7 percent increase in the waste removal tariff is proposed from 1 July 2014. This is due to the above inflation rate increase in fuel costs.

1.3.6 OVERALL IMPACT OF TARIFF INCREASES ON HOUSEHOLDS

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to between 6 and 7 percent.

TABLE 3 MBRR TABLE SA14 – HOUSEHOLD BILL

NC066 Karoo Hoogland - Supporting Table SA14 Household bills

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15 % incr.	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Rand/cent											
Monthly Account for Household - 'Middle Income Range'	1										
Rates and services charges:											
Property rates		316.15			561.01	561.01	561.01	6.0%	594.67	630.35	668.17
Electricity: Basic levy		–									
Electricity: Consumption		800.00			1 440.00	1 440.00	1 440.00	7.4%	1 546.42	1 660.70	1 783.42
Water: Basic levy		41.01			55.00	55.00	55.00	10.0%	60.50	66.55	73.21
Water: Consumption		612.04			131.61	131.61	131.61	10.0%	144.77	159.25	175.17
Sanitation		64.09			90.00	90.00	90.00	7.0%	96.30	103.04	110.25
Refuse removal		60.60			85.59	85.59	85.59	7.0%	91.58	97.99	104.85
Other											
sub-total		1 893.89	–	–	2 363.21	2 363.21	2 363.21	7.2%	2 534.24	2 717.88	2 915.08
VAT on Services		220.88									
Total large household bill:		2 114.77	–	–	2 363.21	2 363.21	2 363.21	7.2%	2 534.24	2 717.88	2 915.08
% increase/-decrease			(100.0%)	–	–	–	–		7.2%	7.2%	7.3%
Monthly Account for Household - 'Affordable Range'	2										
Rates and services charges:											
Property rates		110.86			397.21	397.21	397.21	6.0%	421.04	446.31	473.08
Electricity: Basic levy		–									
Electricity: Consumption		300.00			720.00	720.00	720.00	7.4%	773.21	830.35	891.71
Water: Basic levy		41.01			55.00	55.00	55.00	10.0%	60.50	66.55	73.21
Water: Consumption		128.34			109.11	109.11	109.11	10.0%	120.02	132.02	145.23
Sanitation		64.09			90.00	90.00	90.00	7.0%	96.30	103.04	110.25
Refuse removal		60.60			85.59	85.59	85.59	7.0%	91.58	97.99	104.85
Other											
sub-total		704.90	–	–	1 456.91	1 456.91	1 456.91	7.3%	1 562.65	1 676.26	1 798.33
VAT on Services		83.17									
Total small household bill:		788.07	–	–	1 456.91	1 456.91	1 456.91	7.3%	1 562.65	1 676.26	1 798.33
% increase/-decrease			(100.0%)	–	–	–	–		7.3%	7.3%	7.3%
Monthly Account for Household - 'Indigent' Household receiving free basic services	3										
Rates and services charges:											
Property rates		–									
Electricity: Basic levy		–									
Electricity: Consumption		14.00									
Water: Basic levy		–									
Water: Consumption		7.02									
Sanitation		–									
Refuse removal		–									
Other		–									
sub-total		21.02	–	–	–	–	–	–	–	–	–
VAT on Services		24.12									
Total small household bill:		45.14	–	–	–	–	–	–	–	–	–
% increase/-decrease			(100.0%)	–	–	–	–		–	–	–

1.4 OPERATING EXPENDITURE FRAMEWORK

The KHM's expenditure framework for the 2014 / 2015 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2014 / 2015 budget and MTREF (classified per main type of operating expenditure):

Expenditure By Type										
Employee related costs	2	15 972	-	-	22 441	22 256	22 256	18 157	19 428	20 827
Remuneration of councillors			1 114		1 818	1 818	1 818	1 973	2 111	2 263
Debt impairment	3		-		2 095	2 095	2 095	2 841	3 040	3 259
Depreciation & asset impairment	2	13 586	-	-	-	-	-	14 653	14 653	14 653
Finance charges			455							
Bulk purchases	2	3 837	-	-	5 534	6 375	6 375	6 800	7 348	7 940
Other materials	8							1 182	1 264	1 355
Contracted services		-	-	-	-	-	-	-	-	-
Transfers and grants		-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	3 478	-	-	8 086	7 120	7 120	7 479	8 009	8 600
Loss on disposal of PPE										
Total Expenditure		36 873	1 569	-	39 975	39 664	39 664	53 085	55 854	58 898
Surplus/(Deficit)		(22 271)	29 614	-	17 119	(623)	(623)	(13 616)	(13 506)	(14 030)

Table 4 Summary of operating expenditure by standard classification item

NC066 Karoo Hoogland - Table A2 Consolidated Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1									
Revenue - Standard										
<i>Governance and administration</i>		24 821	-	-	18 699	18 699	18 699	14 105	15 049	15 866
Executive and council		3 443	-	-	12 166	12 166	12 166	10 640	11 351	11 911
Budget and treasury office		18 083	-	-	5 967	5 967	5 967	3 463	3 697	3 954
Corporate services		3 295	-	-	567	567	567	1	1	1
<i>Community and public safety</i>		459	-	-	1 594	1 594	1 594	1 188	1 271	1 370
Community and social services		443	-	-	1 567	1 567	1 567	1 164	1 245	1 342
Sport and recreation		16	-	-	28	28	28	24	26	28
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		0	-	-	-	-	-	-	-	-
Planning and development		0	-	-	-	-	-	-	-	-
Road transport		-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		14 881	-	-	24 129	24 129	24 129	24 176	26 027	27 631
Electricity		7 276	-	-	10 765	10 765	10 765	10 679	11 481	12 255
Water		3 110	-	-	5 286	5 286	5 286	5 500	5 990	6 407
Waste water management		4 495	-	-	8 078	8 078	8 078	7 997	8 557	8 969
Waste management		-	-	-	-	-	-	-	-	-
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	2	40 161	-	-	44 422	44 422	44 422	39 469	42 347	44 868
Expenditure - Standard										
<i>Governance and administration</i>		17 310	-	-	20 655	20 655	20 655	20 800	22 158	23 658
Executive and council		2 051	-	-	4 836	4 836	4 836	5 132	5 460	5 821
Budget and treasury office		15 157	-	-	10 492	10 492	10 492	10 315	10 984	11 728
Corporate services		101	-	-	5 326	5 326	5 326	5 354	5 713	6 109
<i>Community and public safety</i>		2 591	-	-	1 915	1 915	1 915	2 198	2 317	2 449
Community and social services		1 150	-	-	869	869	869	1 308	1 365	1 427
Sport and recreation		1 428	-	-	1 045	1 045	1 045	860	921	987
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		13	-	-	-	-	-	30	32	34
<i>Economic and environmental services</i>		10 160	-	-	81	81	81	11 716	11 835	11 966
Planning and development		175	-	-	71	71	71	75	80	86
Road transport		9 985	-	-	-	-	-	11 640	11 753	11 879
Environmental protection		-	-	-	10	10	10	2	2	2
<i>Trading services</i>		14 778	-	-	21 700	21 700	21 700	18 370	19 543	20 825
Electricity		5 440	-	-	9 538	9 538	9 538	9 296	9 982	10 725
Water		4 178	-	-	3 898	3 898	3 898	3 620	3 781	3 957
Waste water management		5 161	-	-	8 264	8 264	8 264	5 454	5 781	6 142
Waste management		-	-	-	-	-	-	-	-	-
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	3	44 839	-	-	44 351	44 351	44 351	53 085	55 854	58 898
Surplus/(Deficit) for the year		(4 678)	-	-	72	72	72	(13 616)	(13 506)	(14 030)

The budgeted allocation for employee related costs for the 2014 / 2015 financial year totals R 18 million, which equals 34 percent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 6.48 percent for the 2014 / 2015 financial year. An annual increase of 6 percent has been included in the two outer years of the MTREF.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the KHM's budget.

The provision of debt impairment was determined based on an annual collection rate of 80 percent and the Debt Write-off Policy of the KHM. For the 2014 / 2015 financial year this

amount equates to R2.84 million and escalates to R3.26 million by 2016/17. While this expenditure is considered to be a non-cash flow item, it increase the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been determined by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R14.7 million for the 2014 / 2015 financial year.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved.

The following graph gives a breakdown of the main expenditure categories for the 2014 / 2015 financial year.

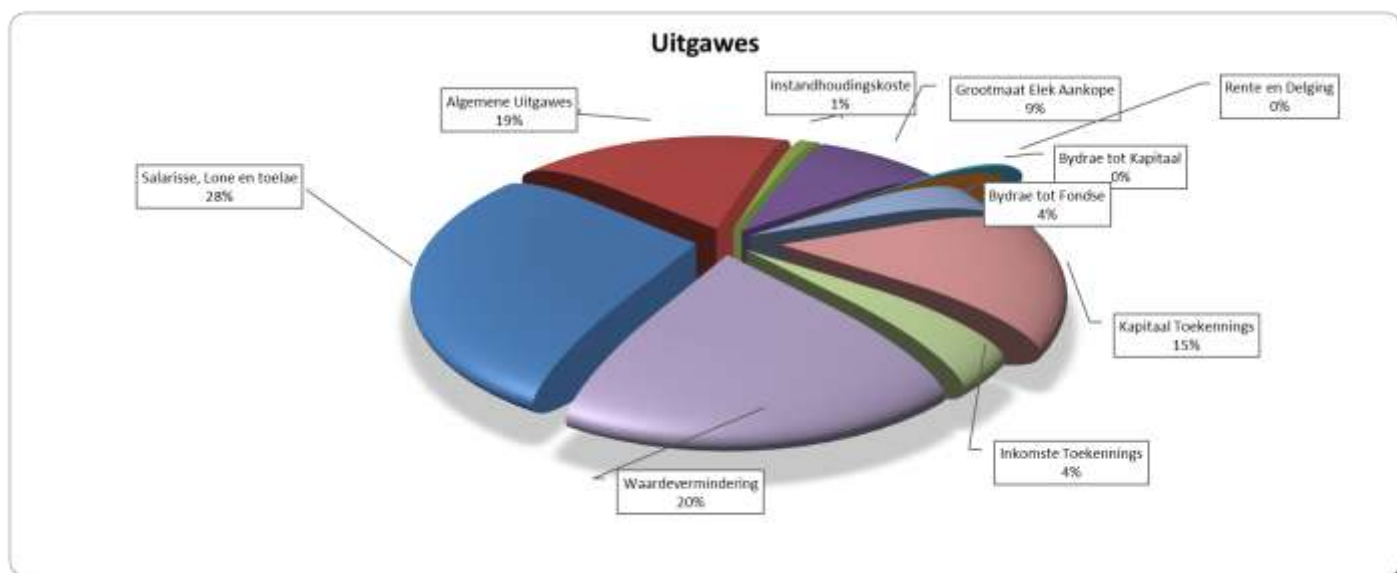


FIGURE 1 MAIN OPERATIONAL EXPENDITURE CATEGORIES FOR THE 2014 / 2015 FINANCIAL YEAR

1.4.1 PRIORITY GIVEN TO REPAIRS AND MAINTENANCE

Aligned to the priority being given to preserving and maintaining the KHM's current infrastructure, the 2014 / 2015 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the KHM. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

For the 2014 / 2015 financial year, only R0.8 m will be spent on maintenance of infrastructure assets. This is still considered to be insufficient to maintain the assets adequately.

1.4.2 FREE BASIC SERVICES: BASIC SOCIAL SERVICES PACKAGE

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the KHM's Indigent Policy. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement) on page 38.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.5 CAPITAL EXPENDITURE

Due to financial constraints, it was not possible to provide funding for capital projects from our own sources. Only three projects could be included which are funded from National Grants.:

Fraserburg Water	R8 890 000
EPWP	R1 000 000
Williston Bulk Water	R 600 000

1.6 ANNUAL BUDGET TABLES - PARENT MUNICIPALITY

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's

2014 / 2015 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 5 MBRR Table A1 - Budget Summary

NC066 Karoo Hoogland - Table A1 Consolidated Budget Summary

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousands									
Financial Performance									
Property rates	3 103	185	–	5 340	5 835	5 835	4 862	5 083	5 388
Service charges	9 626	(1 583)	–	15 270	14 015	14 015	14 861	16 050	17 260
Investment revenue	–	109	–	–	–	–	–	–	–
Transfers recognised - operational	–	31 478	–	17 339	–	–	17 403	18 707	19 525
Other own revenue	1 873	995	–	19 145	19 191	19 191	2 343	2 507	2 695
Total Revenue (excluding capital transfers and contributions)	14 603	31 184	–	57 094	39 041	39 041	39 469	42 347	44 868
Employee costs	15 972	–	–	22 441	22 256	22 256	18 157	19 428	20 827
Remuneration of councillors	–	1 114	–	1 818	1 818	1 818	1 973	2 111	2 263
Depreciation & asset impairment	13 586	–	–	–	–	–	14 653	14 653	14 653
Finance charges	–	455	–	–	–	–	–	–	–
Materials and bulk purchases	3 837	–	–	5 534	6 375	6 375	7 982	8 612	9 296
Transfers and grants	–	–	–	–	–	–	–	–	–
Other expenditure	3 478	–	–	10 182	9 215	9 215	10 320	11 049	11 859
Total Expenditure	36 873	1 569	–	39 975	39 664	39 664	53 085	55 854	58 898
Surplus/(Deficit)	(22 271)	29 614	–	17 119	(623)	(623)	(13 616)	(13 506)	(14 030)
Transfers recognised - capital	–	–	–	–	–	–	–	–	–
Contributions recognised - capital & contributed	7 850	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	(14 421)	29 614	–	17 119	(623)	(623)	(13 616)	(13 506)	(14 030)
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(14 421)	29 614	–	17 119	(623)	(623)	(13 616)	(13 506)	(14 030)
Capital expenditure & funds sources									
Capital expenditure	3 051	–	–	11 805	11 805	11 805	10 490	8 536	9 183
Transfers recognised - capital	3 051	–	–	11 805	11 805	11 805	10 490	8 536	9 183
Public contributions & donations	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–
Internally generated funds	–	–	–	–	–	–	–	–	–
Total sources of capital funds	3 051	–	–	11 805	11 805	11 805	10 490	8 536	9 183
Financial position									
Total current assets	11 887	–	–	4 533	4 533	4 533	5 245	5 245	5 245
Total non current assets	182 284	–	–	162 690	162 690	162 690	148 037	143 875	137 758
Total current liabilities	15 038	–	–	12 945	12 945	12 945	5 380	5 380	5 380
Total non current liabilities	6 666	–	–	6 297	6 297	6 297	6 144	5 913	5 668
Community wealth/Equity	172 467	–	–	147 980	147 980	147 980	141 758	137 826	131 955
Cash flows									
Net cash from (used) operating	14 111	–	–	72	72	72	(16 653)	(16 863)	(17 744)
Net cash from (used) investing	(10 709)	–	–	–	–	–	–	–	–
Net cash from (used) financing	(204)	–	–	–	–	–	–	–	–
Cash/cash equivalents at the year end	6 607	6 607	6 607	72	72	72	(16 653)	(33 515)	(51 260)
Cash backing/surplus reconciliation									
Cash and investments available	6 607	–	–	–	–	–	–	–	–
Application of cash and investments	(3 962)	–	–	9 605	9 546	9 546	(2 044)	(2 017)	(1 993)
Balance - surplus (shortfall)	10 569	–	–	(9 605)	(9 546)	(9 546)	2 044	2 017	1 993
Asset management									
Asset register summary (WDV)	3 051	–	–	–	–	–	–	–	–
Depreciation & asset impairment	13 586	–	–	–	–	–	14 653	14 653	14 653
Renewal of Existing Assets	–	–	–	–	–	–	–	–	–
Repairs and Maintenance	–	–	–	–	–	–	1 182	1 264	1 355
Free services									
Cost of Free Basic Services provided	–	–	–	5 301	5 301	5 301	5 672	6 069	6 494
Revenue cost of free services provided	–	–	–	6 489	6 489	6 489	6 960	7 446	7 965
Households below minimum service level									
Water:	–	–	–	–	–	–	–	–	–
Sanitation/sewerage:	–	1	–	1	1	1	1	1	1
Energy:	–	–	–	–	–	–	–	–	–
Refuse:	–	–	–	–	–	–	–	–	–

EXPLANATORY NOTES TO MBRR TABLE A1 - BUDGET SUMMARY

1. Table A1 is a budget summary and provides a concise overview of the KHM's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is negative over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2016/17, when a small surplus is reflected.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase.

TABLE 6 MBRR TABLE A2 - BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY STANDARD CLASSIFICATION)

NC066 Karoo Hoogland - Table A2 Consolidated Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1									
Revenue - Standard										
<i>Governance and administration</i>		24 821	-	-	18 699	18 699	18 699	14 105	15 049	15 866
Executive and council		3 443	-	-	12 166	12 166	12 166	10 640	11 351	11 911
Budget and treasury office		18 083	-	-	5 967	5 967	5 967	3 463	3 697	3 954
Corporate services		3 295	-	-	567	567	567	1	1	1
<i>Community and public safety</i>		459	-	-	1 594	1 594	1 594	1 188	1 271	1 370
Community and social services		443	-	-	1 567	1 567	1 567	1 164	1 245	1 342
Sport and recreation		16	-	-	28	28	28	24	26	28
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		0	-	-	-	-	-	-	-	-
Planning and development		0	-	-	-	-	-	-	-	-
Road transport		-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		14 881	-	-	24 129	24 129	24 129	24 176	26 027	27 631
Electricity		7 276	-	-	10 765	10 765	10 765	10 679	11 481	12 255
Water		3 110	-	-	5 286	5 286	5 286	5 500	5 990	6 407
Waste water management		4 495	-	-	8 078	8 078	8 078	7 997	8 557	8 969
Waste management		-	-	-	-	-	-	-	-	-
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	2	40 161	-	-	44 422	44 422	44 422	39 469	42 347	44 868
Expenditure - Standard										
<i>Governance and administration</i>		17 310	-	-	20 655	20 655	20 655	20 800	22 158	23 658
Executive and council		2 051	-	-	4 836	4 836	4 836	5 132	5 460	5 821
Budget and treasury office		15 157	-	-	10 492	10 492	10 492	10 315	10 984	11 728
Corporate services		101	-	-	5 326	5 326	5 326	5 354	5 713	6 109
<i>Community and public safety</i>		2 591	-	-	1 915	1 915	1 915	2 198	2 317	2 449
Community and social services		1 150	-	-	869	869	869	1 308	1 365	1 427
Sport and recreation		1 428	-	-	1 045	1 045	1 045	860	921	987
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		13	-	-	-	-	-	30	32	34
<i>Economic and environmental services</i>		10 160	-	-	81	81	81	11 716	11 835	11 966
Planning and development		175	-	-	71	71	71	75	80	86
Road transport		9 985	-	-	-	-	-	11 640	11 753	11 879
Environmental protection		-	-	-	10	10	10	2	2	2
<i>Trading services</i>		14 778	-	-	21 700	21 700	21 700	18 370	19 543	20 825
Electricity		5 440	-	-	9 538	9 538	9 538	9 296	9 982	10 725
Water		4 178	-	-	3 898	3 898	3 898	3 620	3 781	3 957
Waste water management		5 161	-	-	8 264	8 264	8 264	5 454	5 781	6 142
Waste management		-	-	-	-	-	-	-	-	-
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	3	44 839	-	-	44 351	44 351	44 351	53 085	55 854	58 898
Surplus/(Deficit) for the year		(4 678)	-	-	72	72	72	(13 616)	(13 506)	(14 030)

NC066 Karoo Hoogland - Table A3 Consolidated Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
Revenue by Vote	1									
Vote 1 - Council		-	-	-	6 485	6 485	6 485	7 121	7 634	7 988
Vote 2 - Finance		-	-	-	6 026	6 026	6 026	20 214	18 933	20 319
Vote 3 - Rates		-	-	-	5 681	5 681	5 681	5 141	5 452	5 783
Vote 4 - Administration		-	-	-	567	567	567	593	635	680
Vote 5 - Economic Development		-	-	-	-	-	-	-	-	-
Vote 6 - Libraries		-	-	-	909	909	909	721	771	827
Vote 7 - Commonage		-	-	-	475	475	475	275	294	315
Vote 8 - Townhall & Buildings		-	-	-	177	177	177	163	174	194
Vote 9 - Cemeteries		-	-	-	6	6	6	6	6	6
Vote 10 - Parks, Trees & recreation		-	-	-	28	28	28	24	26	28
Vote 11 - Health		-	-	-	-	-	-	-	-	-
Vote 12 - Street & Public Works		-	-	-	-	-	-	-	-	-
Vote 13 - Electricity		-	-	-	10 765	10 765	10 765	10 679	11 481	12 255
Vote 14 - Water		-	-	-	5 286	5 286	5 286	5 500	5 990	6 407
Vote 15 - Refuse & Sanitation		-	-	-	8 078	8 078	8 078	7 997	8 557	8 969
Total Revenue by Vote	2	-	-	-	44 482	44 482	44 482	58 434	59 952	63 772
Expenditure by Vote to be appropriated	1									
Vote 1 - Council		-	-	-	4 068	4 068	4 068	4 054	4 307	4 585
Vote 2 - Finance		-	-	-	10 552	10 552	10 552	20 805	19 520	20 911
Vote 3 - Rates		-	-	-	768	768	768	1 078	1 153	1 237
Vote 4 - Administration		-	-	-	5 367	5 367	5 367	5 354	5 713	6 109
Vote 5 - Economic Development		-	-	-	71	71	71	75	80	86
Vote 6 - Libraries		-	-	-	691	691	691	721	771	827
Vote 7 - Commonage		-	-	-	102	102	102	52	56	60
Vote 8 - Townhall & Buildings		-	-	-	52	52	52	529	531	534
Vote 9 - Cemeteries		-	-	-	25	25	25	8	8	9
Vote 10 - Parks, Trees & recreation		-	-	-	1 045	1 045	1 045	860	921	987
Vote 11 - Health		-	-	-	-	-	-	30	32	33
Vote 12 - Street & Public Works		-	-	-	1 951	1 951	1 951	11 640	11 753	11 879
Vote 13 - Electricity		-	-	-	9 538	9 538	9 538	11 842	12 706	13 646
Vote 14 - Water		-	-	-	3 898	3 898	3 898	6 584	6 952	7 358
Vote 15 - Refuse & Sanitation		-	-	-	6 281	6 281	6 281	8 418	8 953	9 542
Total Expenditure by Vote	2	-	-	-	44 410	44 410	44 410	72 050	73 458	77 800
Surplus/(Deficit) for the year	2	-	-	-	72	72	72	(13 616)	(13 506)	(14 029)

Table 7 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Table 8 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

NC066 Karoo Hoogland - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

NC000 Karoo Hoogland - Supporting Table SA4 Reconciliation of IDP Strategic Objectives and Budget (Revenue)													
Strategic Objective	Goal	Goal Code	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	
R thousand													
Service Delivery	To enhance sustainable service delivery through infrastructure development									30 505	32 750	34 784	
Local Economic Development	The successful implementation of the LED Strategy Address social challenges that hinder economic development												
Financial Viability	The development of a financial plan with strategies to ensure that Karoo Hoogland will be a financial viable entity									3 463	3 697	3 954	
Municipal Transformation and Organizational Development	To establish proper administrative and institutional infrastructure to properly regulate the implementation of the IDP									5 500	5 899	6 128	
Good Governance	To actively involve the public in local government To monitor and evaluate the performance of council in terms of its PMS Community Participation									1	1	1	
Allocations to other priorities				2									
Total Revenue (excluding capital transfers and contributions)				1	-	-	-	-	-	-	39 469	42 347	44 868

TABLE 9 MBRR TABLE A5 - BUDGETED CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING SOURCE

Capital Expenditure - Standard										
Governance and administration		303	-	-	-	-	-	-	-	-
Executive and council		121								
Budget and treasury office		180								
Corporate services		2								
Community and public safety		33	-	-	400	400	400	-	-	-
Community and social services		33								
Sport and recreation					400	400	400			
Public safety										
Housing										
Health										
Economic and environmental services		17	-	-	-	-	-	-	-	-
Planning and development										
Road transport		17								
Environmental protection										
Trading services		2 699	-	-	11 405	11 405	11 405	9 490	8 036	8 183
Electricity					3 300	3 300	3 300			
Water		12			7 505	7 505	7 505	600		
Waste water management		2 687			300	300	300	8 890	8 036	8 183
Waste management					300	300	300			
Other								1 000	500	1 000
Total Capital Expenditure - Standard	3	3 051	-	-	11 805	11 805	11 805	10 490	8 536	9 183
Funded by:										
National Government		3 051			11 805	11 805	11 805	10 490	8 536	9 183
Provincial Government										
District Municipality										
Other transfers and grants										
Transfers recognised - capital	4	3 051	-	-	11 805	11 805	11 805	10 490	8 536	9 183
Public contributions & donations	5									
Borrowing	6									
Internally generated funds										
Total Capital Funding	7	3 051	-	-	11 805	11 805	11 805	10 490	8 536	9 183

TABLE 10 MBRR TABLE A6 - BUDGETED FINANCIAL POSITION

NC066 Karoo Hoogland - Table A6 Consolidated Budgeted Financial Position

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
ASSETS										
Current assets										
Cash		6 607								
Call investment deposits	1	–	–	–	–	–	–	–	–	–
Consumer debtors	1	4 511	–	–	4 533	4 533	4 533	5 245	5 245	5 245
Other debtors										
Current portion of long-term receivables		696								
Inventory	2	73								
Total current assets		11 887	–	–	4 533	4 533	4 533	5 245	5 245	5 245
Non current assets										
Long-term receivables										
Investments										
Investment property										
Investment in Associate										
Property, plant and equipment	3	182 284	–	–	162 690	162 690	162 690	148 037	143 875	137 758
Agricultural										
Biological										
Intangible										
Other non-current assets										
Total non current assets		182 284	–	–	162 690	162 690	162 690	148 037	143 875	137 758
TOTAL ASSETS		194 171	–	–	167 223	167 223	167 223	153 282	149 119	143 002
LIABILITIES										
Current liabilities										
Bank overdraft	1									
Borrowing	4	142	–	–	142	142	142	142	142	142
Consumer deposits		165								
Trade and other payables	4	12 803	–	–	12 803	12 803	12 803	5 238	5 238	5 238
Provisions		1 928								
Total current liabilities		15 038	–	–	12 945	12 945	12 945	5 380	5 380	5 380
Non current liabilities										
Borrowing		3 330	–	–	2 961	2 961	2 961	2 808	2 644	2 469
Provisions		3 336	–	–	3 336	3 336	3 336	3 336	3 269	3 199
Total non current liabilities		6 666	–	–	6 297	6 297	6 297	6 144	5 913	5 668
TOTAL LIABILITIES		21 704	–	–	19 242	19 242	19 242	11 524	11 293	11 048
NET ASSETS	5	172 467	–	–	147 980	147 980	147 980	141 758	137 826	131 955
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)		172 467			147 980	147 980	147 980	141 758	137 826	131 955
Reserves	4	–	–	–	–	–	–	–	–	–
Minorities' interests										
TOTAL COMMUNITY WEALTH/EQUITY	5	172 467	–	–	147 980	147 980	147 980	141 758	137 826	131 955

TABLE 11 MBRR TABLE A7 - BUDGETED CASH FLOW STATEMENT**NC066 Karoo Hoogland - Table A7 Consolidated Budgeted Cash Flows**

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratepayers and other		54 271			28 044	28 044	28 044	30 635	32 703	34 941
Government - operating	1				16 438	16 438	16 438	17 403	18 707	19 525
Government - capital	1							10 490	8 536	9 183
Interest		438								
Dividends										
Payments										
Suppliers and employees		(40 144)			(27 972)	(27 972)	(27 972)	(75 181)	(76 808)	(81 394)
Finance charges		(455)								
Transfers and Grants	1				(16 438)	(16 438)	(16 438)			
NET CASH FROM/(USED) OPERATING ACTIVITIES		14 111	-	-	72	72	72	(16 653)	(16 863)	(17 744)
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE										
Decrease (Increase) in non-current debtors										
Decrease (increase) other non-current receivables		(861)								
Decrease (increase) in non-current investments		68								
Payments										
Capital assets		(9 916)								
NET CASH FROM/(USED) INVESTING ACTIVITIES		(10 709)	-	-	-	-	-	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans										
Borrowing long term/refinancing										
Increase (decrease) in consumer deposits		38								
Payments										
Repayment of borrowing		(242)								
NET CASH FROM/(USED) FINANCING ACTIVITIES		(204)	-	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		3 199	-	-	72	72	72	(16 653)	(16 863)	(17 744)
Cash/cash equivalents at the year begin:	2	3 408	6 607	6 607					(16 653)	(33 515)
Cash/cash equivalents at the year end:	2	6 607	6 607	6 607	72	72	72	(16 653)	(33 515)	(51 260)

TABLE 12 MBRR TABLE A8 - CASH BACKED RESERVES/ACCUMULATED SURPLUS RECONCILIATION**NC066 Karoo Hoogland - Table A8 Consolidated Cash backed reserves/accumulated surplus reconciliation**

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
Cash and investments available										
Cash/cash equivalents at the year end	1	6 607	6 607	6 607	72	72	72	(16 653)	(33 515)	(51 260)
Other current investments > 90 days		0	(6 607)	(6 607)	(72)	(72)	(72)	16 653	33 515	51 260
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-
Cash and investments available:		6 607	-	-	-	-	-	-	-	-
Application of cash and investments										
Unspent conditional transfers		7 564	-	-	7 564	7 564	7 564	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-
Statutory requirements	2									
Other working capital requirements	3	(11 526)	-	-	2 041	1 982	1 982	(2 044)	(2 017)	(1 993)
Other provisions										
Long term investments committed	4	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5									
Total Application of cash and investments:		(3 962)	-	-	9 605	9 546	9 546	(2 044)	(2 017)	(1 993)
Surplus(shortfall)		10 569	-	-	(9 605)	(9 546)	(9 546)	2 044	2 017	1 993

Table 13 MBRR Table A10 - Basic Service Delivery Measurement

NC066 Karoo Hoogland - Table A10 Consolidated basic service delivery measurement

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Household service targets	1									
Water:										
Piped water inside dwelling			1 532		1 742	1 742	1 742	1 742	1 742	1 742
Piped water inside yard (but not in dwelling)			452		452	452	452	452	452	452
Using public tap (at least min.service level)	2									
Other water supply (at least min.service level)	4									
Minimum Service Level and Above sub-total		–	1 984	–	2 194	2 194	2 194	2 194	2 194	2 194
Using public tap (< min.service level)	3									
Other water supply (< min.service level)	4									
No water supply										
Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
Total number of households	5	–	1 984	–	2 194	2 194	2 194	2 194	2 194	2 194
Sanitation/sewerage:										
Flush toilet (connected to sewerage)			299		299	299	299	299	299	299
Flush toilet (with septic tank)			792		1 002	1 002	1 002	1 002	1 002	1 002
Chemical toilet										
Pit toilet (ventilated)										
Other toilet provisions (> min.service level)										
Minimum Service Level and Above sub-total		–	1 091	–	1 301	1 301	1 301	1 301	1 301	1 301
Bucket toilet										
Other toilet provisions (< min.service level)			893		893	893	893	893	893	893
No toilet provisions										
Below Minimum Service Level sub-total		–	893	–	893	893	893	893	893	893
Total number of households	5	–	1 984	–	2 194	2 194	2 194	2 194	2 194	2 194
Energy:										
Electricity (at least min.service level)										
Electricity - prepaid (min.service level)			840		1 052	1 052	1 052	1 052	1 052	1 052
Minimum Service Level and Above sub-total		–	840	–	1 052	1 052	1 052	1 052	1 052	1 052
Electricity (< min.service level)										
Electricity - prepaid (< min. service level)										
Other energy sources										
Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
Total number of households	5	–	840	–	1 052	1 052	1 052	1 052	1 052	1 052
Refuse:										
Removed at least once a week			1 984		2 194	2 194	2 194	2 194	2 194	2 194
Minimum Service Level and Above sub-total		–	1 984	–	2 194	2 194	2 194	2 194	2 194	2 194
Removed less frequently than once a week										
Using communal refuse dump										
Using own refuse dump										
Other rubbish disposal										
No rubbish disposal										
Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
Total number of households	5	–	1 984	–	2 194	2 194	2 194	2 194	2 194	2 194
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)					1 289	1 289	1 289	1 289	1 289	1 289
Sanitation (free minimum level service)					995	995	995	995	995	995
Electricity/other energy (50kwh per household per month)					995	995	995	995	995	995
Refuse (removed at least once a week)					995	995	995	995	995	995
Cost of Free Basic Services provided (R'000)	8									
Water (6 kilolitres per household per month)					1 453	1 453	1 453	1 555	1 664	1 780
Sanitation (free sanitation service)					1 186	1 186	1 186	1 269	1 358	1 453
Electricity/other energy (50kwh per household per month)					529	529	529	566	605	648
Refuse (removed once a week)					2 133	2 133	2 133	2 282	2 442	2 612
Total cost of FBS provided (minimum social package)		–	–	–	5 301	5 301	5 301	5 672	6 069	6 494
Highest level of free service provided										
Property rates (R value threshold)					15 000	15 000	15 000	15 000	15 000	15 000
Water (kilolitres per household per month)					6	6	6	6	6	6
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)					81	81	81	81	81	81
Electricity (kwh per household per month)					50	50	50	50	50	50
Refuse (average litres per week)					1	1	1	1	1	1
Revenue cost of free services provided (R'000)	9									
Property rates (R15 000 threshold rebate)					134	134	134	142	151	160
Property rates (other exemptions, reductions and rebates)					42	42	42	45	48	51
Water					1 453	1 453	1 453	1 555	1 664	1 780
Sanitation					1 186	1 186	1 186	1 269	1 358	1 453
Electricity/other energy					529	529	529	566	605	648
Refuse					2 133	2 133	2 133	2 282	2 442	2 612
Municipal Housing - rental rebates								18	19	21
Housing - top structure subsidies								–	–	–
Other					1 012	1 012	1 012	1 083	1 159	1 240
Total revenue cost of free services provided (total social package)	6	–	–	–	6 489	6 489	6 489	6 960	7 446	7 965

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

Part 2 – Supporting Documentation

1.7 OVERVIEW OF THE ANNUAL BUDGET PROCESS

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the KHM's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

1.7.1 BUDGET PROCESS OVERVIEW

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2010) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule in August 2013. Key dates applicable to the process were:

- **January 2014** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2014** – Council to consider 2013/14 Mid-year Review;
- **February 2014**- Council to consider Adjustments Budget if necessary;
- **27 March 2014** - Tabling in Council of the draft 2014 / 2015 IDP and 2014 / 2015 MTREF for public consultation;
- **April 2014** – Public consultation;
- **May 2014** - Closing date for written comments;
- **6 to 21 May 2014** – finalisation of the 2014 / 2015 IDP and 2014 / 2015 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and

- **24 May 2014** - Tabling of the 2014 / 2015 MTREF before Council for consideration and approval.

There were deviations from the key dates set out in the Budget Time Schedule tabled in Council since January 2013.

1.7.2 IDP AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

The IDP was presented to the public for their input during October 2013 as part of the Public Participation processes. It was also again presented to the public in May 2014 during the Budget process.

The service delivery and budget implementation plan was accepted by the mayor and serves as the guideline for budget implementation and evaluation.

1.7.3 FINANCIAL MODELLING AND KEY PLANNING DRIVERS

As part of the compilation of the 2014 / 2015 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2014 / 2015 MTREF:

- KHM growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2013/14 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in **National Treasury's MFMA Circulars 51 and 54** has been taken into consideration in the planning and prioritisation process.

1.7.4 COMMUNITY CONSULTATION

See 1.5.2 for the IDP community consultation processes as well as the budget consultation process which took place during May 2014.

1.8 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
 - Provide electricity;
 - Provide water;
 - Provide sanitation;
 - Provide waste removal;
 - Provide housing;
 - Provide roads and storm water;
 - Provide public transport;
 - Provide KHM planning services; and
 - Maintaining the infrastructure of the KHM.
2. Economic growth and development that leads to sustainable job creation by:
 - Ensuring there is a clear structural plan for the KHM;
 - Ensuring planning processes function in accordance with set timeframes;
 - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
 - Effective implementation of the Indigent Policy;
 - Working with the provincial department of health to provide primary health care services;
 - Extending waste removal services and ensuring effective KHM cleansing;
 - Ensuring all waste water treatment works are operating optimally;
 - Working with strategic partners such as SAPS to address crime;
 - Ensuring safe working environments by effective enforcement of building and health regulations;
 - Promote viable, sustainable communities through proper zoning; and
 - Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
 - Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
 - Optimising effective community participation in the ward committee system; and
 - Implementing Batho Pele in the revenue management strategy.
- 5.1 Promote sound governance through:
 - Publishing the outcomes of all tender processes on the municipal website

5.2 Ensure financial sustainability through:

- Reviewing the use of contracted services
- Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan

5.3 Optimal institutional transformation to ensure KHM to achieve set objectives

- Review of the organizational structure to optimize the use of personnel;

Table 14 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and BUDGETED REVENUE

NC066 Karoo Hoogland - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

NCU66 Karoo Hoogland - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)													
Strategic Objective	Goal	Goal Code	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	
R thousand													
Service Delivery	To enhance sustainable service delivery through infrastructure development									30 505	32 750	34 784	
Local Economic Development	The successful implementation of the LED Strategy Address social challenges that hinder economic development												
Financial Viability	The development of a financial plan with strategies to ensure that Karoo Hoogland will be a financial viable entity									3 463	3 697	3 954	
Municipal Transformation and Organizational Development	To establish proper administrative and institutional infrastructure to properly regulate the implementation of the IDP									5 500	5 899	6 128	
Good Governance	To actively involve the public in local government To monitor and evaluate the performance of council in terms of its PMS Community Participation									1	1	1	
Allocations to other priorities				2									
Total Revenue (excluding capital transfers and contributions)				1	-	-	-	-	-	-	39 469	42 347	44 868

Table 15 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and BUDGETED OPERATING EXPENDITURE

NC066 Karoo Hoogland - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	Goal	Goal Code	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand												
Service Delivery	To enhance sustainable service delivery through infrastructure development									33 287	34 769	31 048
Local Economic Development	The successful implementation of the LED Strategy Address social challenges that hinder economic development									75	80	5 428
Financial Viability	The development of a financial plan with strategies to ensure that Karoo Hoogland will be a									10 315	10 984	11 728
Municipal Transformation and Organizational Development	To establish proper administrative and institutional infrastructure to properly									4 054	4 307	4 585
Good Governance	To actively involve the public in local government To monitor and evaluate the performance of council in terms of PMS Community Participation									5 354	5 713	6 109
Allocations to other priorities												
Total Expenditure				1	-	-	-	-	-	53 085	55 854	58 898

1.9 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the KHM has developed a performance management system of which system is constantly refined as the integrated planning process unfolds.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

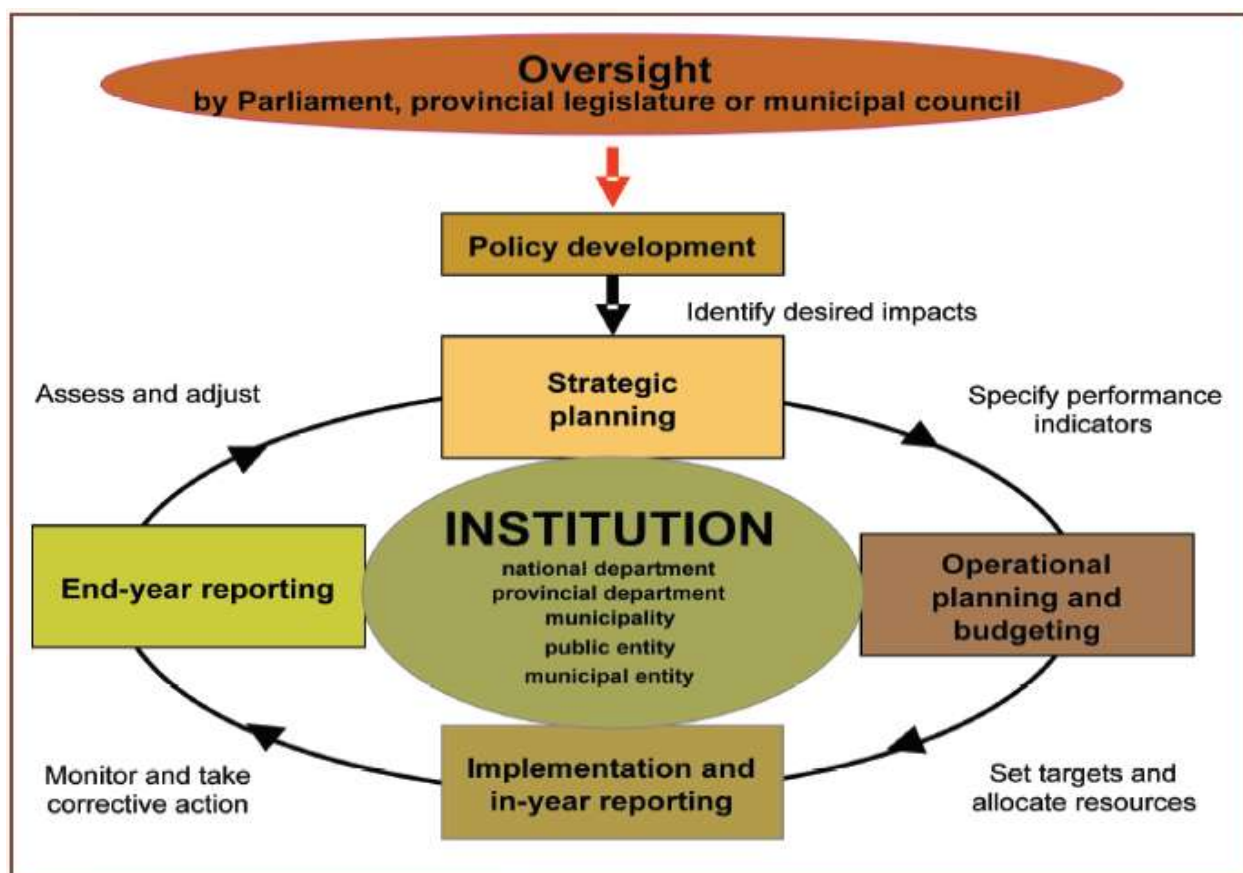


Figure 2 Planning, budgeting and reporting cycle

The performance of the KHM relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations.

The KHM therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the KHM in its integrated performance management system are aligned to the ***Framework of Managing Programme Performance Information*** issued by the National Treasury:

The following table sets out the municipalities main performance objectives and benchmarks for the 2014 / 2015 MTREF.

Table 16 MBRR Table SA8 - Performance indicators and benchmarks

NC066 Karoo Hoogland - Supporting Table SA8 Performance indicators and benchmarks

Kroon Route Hoegland - Supporting Table 3A: Performance Indicators and Benchmarks										
Description of financial indicator	Basis of calculation	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<u>Borrowing Management</u>										
Credit Rating										
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.7%	29.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	1.7%	-154.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Safety of Capital</u>										
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Liquidity</u>										
Current Ratio	Current assets/current liabilities	0.8	–	–	0.4	0.4	0.4	1.0	1.0	1.0
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.8	–	–	0.4	0.4	0.4	1.0	1.0	1.0
Liquidity Ratio	Monetary Assets/Current Liabilities	0.4	–	–	–	–	–	–	–	–
<u>Revenue Management</u>										
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		365.8%	0.0%	0.0%	70.5%	71.8%	0.0%	138.8%	138.3%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		371.6%	0.0%	0.0%	70.5%	71.8%	71.8%	138.8%	138.3%	137.9%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	35.7%	0.0%	0.0%	7.9%	11.6%	11.6%	13.3%	12.4%	11.7%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old									
<u>Creditors Management</u>										
Creditors System Efficiency	% of Creditors Paid Within Terms (within 'MFMA' s 65(e))									
Creditors to Cash and Investments		79.3%	0.0%	0.0%	7300.0%	7300.0%	7300.0%	-31.5%	-15.6%	-10.2%
<u>Other Indicators</u>										
Electricity Distribution Losses (2)	Total Volume Losses (kW)									
	Total Cost of Losses (Rand '000)									
	% Volume (units purchased and generated less units sold)/units purchased and generated									
Water Distribution Losses (2)	Total Volume Losses (kℓ)									
	Total Cost of Losses (Rand '000)									
	% Volume (units purchased and generated less units sold)/units purchased and generated									
Employee costs	Employee costs/(Total Revenue - capital revenue)	109.4%	0.0%	0.0%	39.3%	57.0%	57.0%	46.0%	45.9%	46.4%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	107.9%	0.0%	0.0%	42.6%	62.3%	62.3%	55.4%	55.0%	55.2%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.0%	3.0%	3.0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	93.0%	1.5%	0.0%	0.0%	0.0%	0.0%	37.1%	34.6%	32.7%
<u>IDP regulation financial viability indicators</u>										
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	–	–	–	–	–	–	–	–	–
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	40.9%	0.0%	0.0%	22.0%	22.8%	22.8%	26.6%	24.8%	23.2%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	3.8	50.5	–	0.0	0.0	0.0	(6.0)	(11.3)	(16.1)

1.9.1 PERFORMANCE INDICATORS AND BENCHMARKS

1.9.1.1 BORROWING MANAGEMENT

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Karoo Hoogland Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the KHM's debt portfolio is dominated by annuity loans.

Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, overdraft and tax provisions as a percentage of funds and reserves.
- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves.

1.9.1.2 LIQUIDITY

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the KHM has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2014 / 2015 MTREF the current ratio is 1.2 and 1.1 for the two outer years of the MTREF. Going forward it will be necessary to maintain these levels.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2014/15 financial year the ratio was 0.2 and as part of the financial planning strategy it has been increased to 0.3 in the 2011/12 financial year. This needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the KHM. As part of the longer term financial planning objectives this ratio will have to be set at a minimum of 1.

1.9.1.3 REVENUE MANAGEMENT

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

1.9.1.4 CREDITORS MANAGEMENT

- The KHM has not managed to ensure that creditors are settled within the legislated 30 days of invoice.

1.9.1.5 OTHER INDICATORS

- The electricity distribution losses remain at more than 20%. This is mainly due to the outdated infrastructure in Fraserburg.

- The water distribution losses cannot be calculated due to the shortage in bulk meters. This needs to be addressed urgently.
- Employee costs as a percentage of operating revenue continues to decrease over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers. The percentage however is considered to be out of bounds.
- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also decreasing owing directly to cost drivers such as bulk purchases increasing far above inflation. In real terms, repairs and maintenance has increased as part of the KHM's strategy to ensure the management of its asset base.

1.9.2 FREE BASIC SERVICES: BASIC SOCIAL SERVICES PACKAGE FOR INDIGENT HOUSEHOLDS

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the KHM. With the exception of water, only registered indigents qualify for the free basic services.

For the 2014/15 financial year 1350 registered indigents have been provided for in the budget. In terms of the Municipality's indigent policy registered households are entitled to 6kl free water, 50 kwh of electricity, and free refuse, sanitation and discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement) on page 38.

1.9.3 PROVIDING CLEAN WATER AND MANAGING WASTE WATER

The KHM is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider. All water is generated from the KHM's own water sources, such as boreholes and small dams.

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

1.10 OVERVIEW OF BUDGET RELATED-POLICIES

The KHM's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

1.10.1 REVIEW OF CREDIT CONTROL AND DEBT COLLECTION PROCEDURES/POLICIES

The Collection Policy as approved by Council in October 2008 and is reviewed annually. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, it is essential that projects implemented should create work.

The 2014 / 2015 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 80 percent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the KHM's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy. Currently the collection rate is only 65%.

1.10.2 ASSET MANAGEMENT, INFRASTRUCTURE INVESTMENT AND FUNDING POLICY

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the KHM's revenue base.

1.10.3 BUDGET ADJUSTMENT POLICY

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the KHM continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions. Unfortunately both these processes were derailed in the current year.

1.10.4 SUPPLY CHAIN MANAGEMENT POLICY

The Supply Chain Management Policy was adopted by Council in September 2010. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

1.10.5 BUDGET AND VIREMENT POLICY

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the KHM's system of delegations.

1.10.6 CASH MANAGEMENT AND INVESTMENT POLICY

The KHM's Cash Management and Investment Policy was amended by Council in January 2009. The aim of the policy is to ensure that the KHM's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

1.10.7 TARIFF POLICIES

The KHM's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

1.10.8 FINANCIAL MODELLING AND SCENARIO PLANNING POLICY

The Financial Modelling and Scenario Planning Policy has directly informed the compilation of the 2014 / 2015 MTREF with the emphasis on affordability and long-term sustainability. The policy dictates the approach to longer term financial modelling. The outcomes are then filtered into the budget process. One of the salient features of the policy is the emphasis on financial sustainability. Amongst others, the following has to be modelled as part of the financial modelling and scenario planning process:

- Approved 2013/14 Adjustments Budget;
- Cash Flow Management Interventions, Initiatives and Strategies (including the cash backing of reserves);
- Economic climate and trends (i.e Inflation, household debt levels, indigent factors, growth, recessionary implications);
- Loan and investment possibilities;
- Performance trends;
- Tariff Increases;
- The ability of the community to pay for services (affordability);
- Policy priorities;
- Improved and sustainable service delivery; and
- Debtor payment levels.

All the above policies are available on the KHM's website, as well as the following budget related policies:

- Property Rates Policy;
- Borrowing Policy;

- Budget Policy; and
- Basic Social Services Package (Indigent Policy).

1.11 OVERVIEW OF BUDGET ASSUMPTIONS

1.11.1 EXTERNAL FACTORS

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the KHM's finances.

1.11.2 GENERAL INFLATION OUTLOOK AND ITS IMPACT ON THE MUNICIPAL ACTIVITIES

There are five key factors that have been taken into consideration in the compilation of the 2014 / 2015 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on KHM's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 30 percent of total operating expenditure in the 2014 / 2015 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget.

1.11.3 INTEREST RATES FOR BORROWING AND INVESTMENT OF FUNDS

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. No borrowing is planned for the 2014 /15 year.

1.11.4 COLLECTION RATE FOR REVENUE SERVICES

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (80 percent) of annual billings. Cash flow is assumed to be 80 percent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored. In practice the collection rate only reach 65% currently.

1.11.5 GROWTH OR DECLINE IN TAX BASE OF THE MUNICIPALITY

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the KHM, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

1.11.6 SALARY INCREASES

It is estimated that a 6.79% salary increase will be negotiated nationally.

1.11.7 IMPACT OF NATIONAL, PROVINCIAL AND LOCAL POLICIES

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

1.11.8 ABILITY OF THE MUNICIPALITY TO SPEND AND DELIVER ON THE PROGRAMMES

It is estimated that a spending rate of at least 97 percent is achieved on operating expenditure and 100 percent on the capital programme for the 2014 / 2015 MTREF of which performance has been factored into the cash flow budget.

1.12 OVERVIEW OF BUDGET FUNDING

1.12.1 MEDIUM-TERM OUTLOOK: OPERATING REVENUE

The following table is a breakdown of the operating revenue over the medium-term:

Table 17 Breakdown of the operating revenue over the medium-term

NC066 Karoo Hoogland - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
REVENUE ITEMS:										
<u>Property rates</u>	6									
Total Property Rates		3 103			11 060	11 060	11 060	8 043	8 525	9 037
less Revenue Foregone					5 720	5 225	5 225	3 181	3 442	3 649
Net Property Rates		3 103	-	-	5 340	5 835	5 835	4 862	5 083	5 388
<u>Service charges - electricity revenue</u>	6									
Total Service charges - electricity revenue		5 713			9 095	8 350	8 350	8 967	9 630	10 341
less Revenue Foregone					149	275	275	298	251	272
Net Service charges - electricity revenue		5 713	-	-	8 945	8 075	8 075	8 669	9 378	10 070
<u>Service charges - water revenue</u>	6									
Total Service charges - water revenue		2 286			3 150	3 000	3 000	3 300	3 630	3 993
less Revenue Foregone					585	585	585	600	660	726
Net Service charges - water revenue		2 286	-	-	2 565	2 415	2 415	2 700	2 970	3 267
<u>Service charges - sanitation revenue</u>	6									
Total Service charges - sanitation revenue		1 627			3 050	2 700	2 700	2 792	2 959	3 137
less Revenue Foregone					933	800	800	1 059	1 123	1 190
Net Service charges - sanitation revenue		1 627	-	-	2 117	1 900	1 900	1 733	1 837	1 947
<u>Service charges - refuse revenue</u>	6									
Total refuse removal revenue					2 550	2 500	2 500	2 968	3 146	3 334
Total landfill revenue										
less Revenue Foregone					907	875	875	1 208	1 281	1 358
Net Service charges - refuse revenue		-	-	-	1 643	1 625	1 625	1 759	1 865	1 977
<u>Other Revenue by source</u>	3									
Grants		519			17 339	17 339	17 339			
Interest Recieved : Late accounts		330			675	725	725	490	524	562
Interest Recieved : other		109			35	55	55	55	59	63
Fines		2								
Motor Vechicle Reg		140			261	220	220			
Licence and permits								5	6	6
Other income		589			185	227	227	108	115	124
Property Rates penalties		185						275	294	315
Rental					650	625	625	466	498	541
Agency Services								945	1 011	1 084
Total 'Other' Revenue	1	1 873	-	-	19 145	19 191	19 191	2 343	2 507	2 695

The following graph is a breakdown of the operational revenue per main category for the 2014 / 2015 financial year.

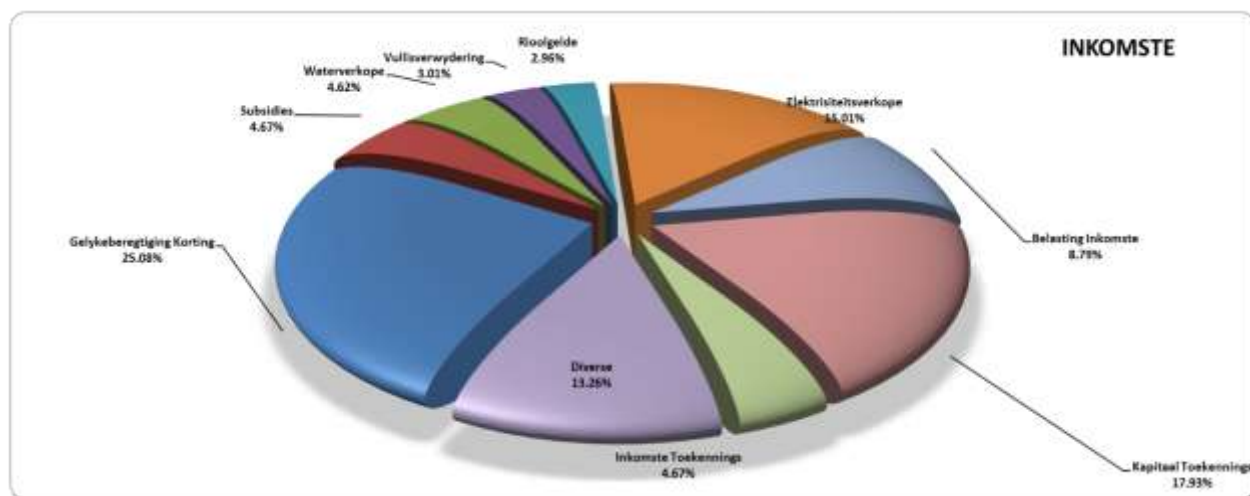


Figure 3 Breakdown of operating revenue over the 2014 / 2015 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The KHM derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the KHM and economic development;
- Revenue management and enhancement;
- Achievement of a 80 percent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The tables below provide detail investment information and investment particulars by maturity.

Table 18 MBRR SA15 – Detail Investment Information

No funds are currently invested

Table 19 MBRR SA16 – Investment particulars by maturity

No funds are currently invested

1.12.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2014/15 medium-term capital programme:

Table 20 Sources of capital revenue over the MTREF

Funded by:										
National Government		3 051			11 805	11 805	11 805	10 490	8 536	9 183
Provincial Government										
District Municipality										
Other transfers and grants										
Transfers recognised - capital	4	3 051	-	-	11 805	11 805	11 805	10 490	8 536	9 183
Public contributions & donations	5									
Borrowing	6									
Internally generated funds										
Total Capital Funding	7	3 051	-	-	11 805	11 805	11 805	10 490	8 536	9 183

Table 21 MBRR Table SA 17 - Detail of borrowings

Unspent Borrowing - Categorised by type										
Parent municipality										
	Long-Term Loans (annuity/reducing balance)			3 253	3 111			2 961	2 803	2 638
	Long-Term Loans (non-annuity)									
	Local registered stock									
	Instalment Credit									
	Financial Leases									
	PPP liabilities									
	Finance Granted By Cap Equipment Supplier									
	Marketable Bonds									
	Non-Marketable Bonds									
	Bankers Acceptances									
	Financial derivatives									
	Other Securities									
1	Municipality sub-total	-	-	3 253	3 111	-	-	2 961	2 803	2 638

Table 22 MBRR Table SA 18 - Capital transfers and grant receipts

NC066 Karoo Hoogland - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		-	-	-	16 438	16 438	16 438	17 403	18 707	19 525
Local Government Equitable Share					13 898	13 898	13 898	14 669	15 790	16 407
Finance Management					1 650	1 650	1 650	1 800	1 950	2 100
Municipal Systems Improvement					890	890	890	934	967	1 018
Other transfers/grants [Library]										
Provincial Government:		-	-	-	-	-	-	715	765	820
Other transfers/grants [Library]								715	765	820
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Operating Transfers and Grants	5	-	-	-	16 438	16 438	16 438	18 118	19 472	20 345
Capital Transfers and Grants										
National Government:		-	-	-	11 805	11 805	11 805	10 490	8 536	9 183
Municipal Infrastructure Grant (MIG)					10 805	10 805	10 805	8 890	8 036	8 183
Municipal Infrastructure Grant (MIG)					1 000	1 000	1 000	1 000	500	1 000
Regional Bulk Infrastructure								600		
Other capital transfers/grants [insert desc]										
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Capital Transfers and Grants	5	-	-	-	11 805	11 805	11 805	10 490	8 536	9 183
TOTAL RECEIPTS OF TRANSFERS & GRANTS		-	-	-	28 243	28 243	28 243	28 608	28 008	29 528

1.12.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provided for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 23 MBRR Table A7 - Budget cash flow statement

NC066 Karoo Hoogland - Table A7 Consolidated Budgeted Cash Flows

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratepayers and other	1	54 271			28 044	28 044	28 044	30 635	32 703	34 941
Government - operating					16 438	16 438	16 438	17 403	18 707	19 525
Government - capital	1							10 490	8 536	9 183
Interest		438								
Dividends										
Payments										
Suppliers and employees		(40 144)			(27 972)	(27 972)	(27 972)	(75 181)	(76 808)	(81 394)
Finance charges		(455)								
Transfers and Grants	1				(16 438)	(16 438)	(16 438)			
NET CASH FROM/(USED) OPERATING ACTIVITIES		14 111	-	-	72	72	72	(16 653)	(16 863)	(17 744)
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE										
Decrease (Increase) in non-current debtors										
Decrease (increase) other non-current receivables		(861)								
Decrease (increase) in non-current investments		68								
Payments										
Capital assets		(9 916)								
NET CASH FROM/(USED) INVESTING ACTIVITIES		(10 709)	-	-	-	-	-	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans										
Borrowing long term/refinancing										
Increase (decrease) in consumer deposits		38								
Payments										
Repayment of borrowing		(242)								
NET CASH FROM/(USED) FINANCING ACTIVITIES		(204)	-	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		3 199	-	-	72	72	72	(16 653)	(16 863)	(17 744)
Cash/cash equivalents at the year begin:	2	3 408	6 607	6 607				(16 653)	(16 653)	(33 515)
Cash/cash equivalents at the year end:	2	6 607	6 607	6 607	72	72	72	(16 653)	(33 515)	(51 260)

The above table shows that cash and cash equivalents of the KHM are largely depleted.

1.12.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 24 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

NC066 Karoo Hoogland - Table A8 Consolidated Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
Cash and investments available										
Cash/cash equivalents at the year end	1	6 607	6 607	6 607	72	72	72	(16 653)	(33 515)	(51 260)
Other current investments > 90 days		0	(6 607)	(6 607)	(72)	(72)	(72)	16 653	33 515	51 260
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-
Cash and investments available:		6 607	-	-	-	-	-	-	-	-
Application of cash and investments										
Unspent conditional transfers		7 564	-	-	7 564	7 564	7 564	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	(11 526)	-	-	2 041	1 982	1 982	(2 044)	(2 017)	(1 993)
Other provisions		-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		(3 962)	-	-	9 605	9 546	9 546	(2 044)	(2 017)	(1 993)
Surplus(shortfall)		10 569	-	-	(9 605)	(9 546)	(9 546)	2 044	2 017	1 993

It can be concluded that the KHM has a deficit against the cash backed and accumulated surpluses reconciliation. The municipality has essentially depleted all cash reserves which is a serious concern and should be considered a strategic risk to the financial stability of the KHM. As part of the planning strategy, this deficit needs to be aggressively managed downwards and as part of the medium term planning objectives. It needs to be noted that for all practical purposes the 2014 / 2015 MTREF is unfunded when considering the funding requirements of section 18 and 19 of the MFMA. The 2014 / 2015 MTREF has been informed by ensuring the financial plan meets the minimum requirements of the MFMA. However, from a practical

perspective it would not be possible to eradicate this deficit in one financial year hence the phased approach over the MTREF. The challenge for the KHM will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate.

1.12.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 25 MBRR SA10 – Funding compliance measurement

NC066 Karoo Hoogland Supporting Table SA10 Funding measurement

Description	MFMA section	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Funding measures											
Cash/cash equivalents at the year end - R'000	18(1)b	1	6 607	6 607	6 607	72	72	72	(16 653)	(33 515)	(51 260)
Cash + investments at the yr end less applications - R'000	18(1)b	2	10 569	–	–	(9 605)	(9 546)	(9 546)	2 044	2 017	1 993
Cash year end/monthly employee/supplier payments	18(1)b	3	3.8	50.5	–	0.0	0.0	0.0	(6.0)	(11.3)	(16.1)
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	(14 421)	29 614	–	17 119	(623)	(623)	(13 616)	(13 506)	(14 030)
Service charge rev % change - macro CPI target exclusive	18(1)a,(2)	5	N.A.	(117.0%)	(106.0%)	(6.0%)	(9.7%)	(6.0%)	(6.6%)	1.2%	1.2%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	371.6%	0.0%	0.0%	70.5%	71.8%	71.8%	138.8%	138.3%	137.9%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	0.0%	0.0%	0.0%	10.2%	10.6%	10.6%	14.4%	14.4%	14.4%
Capital payments % of capital expenditure	18(1)c;19	8	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10							0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	(100.0%)	0.0%	0.0%	0.0%	0.0%	15.7%	0.0%	0.0%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(v)i	13	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%	0.9%	1.0%
Asset renewal % of capital budget	20(1)(v)i	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

1.12.5.1 Cash/cash equivalent position

The KHM's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year.

1.12.5.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 25, on page 25. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

1.12.5.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the KHM to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. .

1.12.5.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

1.12.5.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

1.12.5.6 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 65, 65.3 and 65.6 percent for each of the respective financial years. Given that the assumed collection rate was based on a 80 percent performance target, the cash flow statement has been overstated. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

1.12.5.7 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision is considered to be insufficient.

1.12.5.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

1.12.5.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded.

1.12.5.10 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 percent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The KHM has budgeted for all transfers.

1.12.5.11 Consumer debtors change (Current and Non-current)

The purpose of these measures are to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the KHM's policy of settling debtors accounts within 30 days.

1.12.5.12 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the KHM's strategy pertaining to asset management and repairs and maintenance is contained in Table 60 MBRR SA34C on page 90.

1.12.5.13 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

1.13 EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS

Table 26 MBRR SA19 - Expenditure on transfers and grant programmes

NC066 Karoo Hoogland - Supporting Table SA19 Expenditure on transfers and grant programme

Description R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
EXPENDITURE:	1									
Operating expenditure of Transfers and Grants										
National Government:		-	-	-	16 438	16 438	16 438	17 403	18 707	19 525
Local Government Equitable Share					13 898	13 898	13 898	14 669	15 790	16 407
Finance Management					1 650	1 650	1 650	1 800	1 950	2 100
Municipal Systems Improvement					890	890	890	934	967	1 018
Other transfers/grants [Library]										
Provincial Government:		-	-	-	-	-	-	715	765	820
Other transfers/grants [Library]								715	765	820
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total operating expenditure of Transfers and Grants		-	-	-	16 438	16 438	16 438	18 118	19 472	20 345
Capital expenditure of Transfers and Grants										
National Government:		-	-	-	11 805	11 805	11 805	10 490	8 536	9 183
Municipal Infrastructure Grant (MIG)					10 805	10 805	10 805	8 890	8 036	8 183
Municipal Infrastructure Grant (MIG)					1 000	1 000	1 000	1 000	500	1 000
Regional Bulk Infrastructure								600		
Other capital transfers/grants [insert desc]										
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total capital expenditure of Transfers and Grants		-	-	-	11 805	11 805	11 805	10 490	8 536	9 183
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		-	-	-	28 243	28 243	28 243	28 608	28 008	29 528

Table 27 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

NC066 Karoo Hoogland - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
Operating transfers and grants:	1,3									
National Government:										
Balance unspent at beginning of the year										
Current year receipts					16 438	16 438	16 438	17 403	18 707	19 525
Conditions met - transferred to revenue		-	-	-	16 438	16 438	16 438	17 403	18 707	19 525
Conditions still to be met - transferred to liabilities										
Provincial Government:										
Balance unspent at beginning of the year										
Current year receipts								715	765	820
Conditions met - transferred to revenue		-	-	-	-	-	-	715	765	820
Conditions still to be met - transferred to liabilities										
District Municipality:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Other grant providers:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Total operating transfers and grants revenue		-	-	-	16 438	16 438	16 438	18 118	19 472	20 345
Total operating transfers and grants - CTBM	2	-	-	-	-	-	-	-	-	-
Capital transfers and grants:	1,3									
National Government:										
Balance unspent at beginning of the year										
Current year receipts					11 805	11 805	11 805	10 490	8 536	9 183
Conditions met - transferred to revenue		-	-	-	11 805	11 805	11 805	10 490	8 536	9 183
Conditions still to be met - transferred to liabilities										
Provincial Government:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
District Municipality:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Other grant providers:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Total capital transfers and grants revenue		-	-	-	11 805	11 805	11 805	10 490	8 536	9 183
Total capital transfers and grants - CTBM	2	-	-	-	-	-	-	-	-	-
TOTAL TRANSFERS AND GRANTS REVENUE		-	-	-	28 243	28 243	28 243	28 608	28 008	29 528
TOTAL TRANSFERS AND GRANTS - CTBM		-	-	-	-	-	-	-	-	-

1.14 COUNCILLOR AND EMPLOYEE BENEFITS

Table 28 MBRR SA22 - Summary of councillor and staff benefits

NC066 Karoo Hoogland - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
	1	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)										
Basic Salaries and Wages		1 165			1 518	1 518	1 518	1 809	1 926	2 052
Pension and UIF Contributions					25	25	25	18	19	21
Medical Aid Contributions										
Motor Vehicle Allowance		330								
Cellphone Allowance		76								
Housing Allowances										
Other benefits and allowances					337	337	337	146	156	168
Sub Total - Councillors		1 571	-	-	1 879	1 879	1 879	1 973	2 102	2 240
% increase	4		(100.0%)	-	-	-	-	5.0%	6.5%	6.6%
Senior Managers of the Municipality	2									
Basic Salaries and Wages		2 422			3 803	3 803	3 803	3 600	3 834	4 083
Pension and UIF Contributions					85	85	85	82	87	93
Medical Aid Contributions										
Overtime										
Performance Bonus		241			317	317	317	296	316	336
Motor Vehicle Allowance	3									
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Senior Managers of Municipality		2 663	-	-	4 205	4 205	4 205	3 978	4 236	4 512
% increase	4		(100.0%)	-	-	-	-	(5.4%)	6.5%	6.5%
Other Municipal Staff										
Basic Salaries and Wages		11 523			15 377	15 377	15 377	13 323	14 175	15 083
Pension and UIF Contributions								829	882	939
Medical Aid Contributions								312	332	354
Overtime								146	155	165
Performance Bonus					1 138	1 138	1 138	963	1 025	1 090
Motor Vehicle Allowance	3								-	-
Cellphone Allowance	3								-	-
Housing Allowances	3							8	9	9
Other benefits and allowances	3				1 724	1 724	1 724	339	360	383
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Other Municipal Staff		11 523	-	-	18 239	18 239	18 239	15 920	16 939	18 023
% increase	4		(100.0%)	-	-	-	-	(12.7%)	6.4%	6.4%
Total Parent Municipality		15 757	-	-	24 322	24 322	24 322	21 871	23 277	24 775
			(100.0%)	-	-	-	-	(10.1%)	6.4%	6.4%

Table 29 MBRR SA24 – Summary of personnel numbers

NC066 Karoo Hoogland - Supporting Table SA24 Summary of personnel numbers

Summary of Personnel Numbers		Ref	2012/13			Current Year 2013/14			Budget Year 2014/15		
Number		1,2	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities											
Councillors (Political Office Bearers plus Other Councillors)			7		7	7		7	7		7
Board Members of municipal entities	4										
Municipal employees											
Municipal Manager and Senior Managers	5										
Other Managers	3		3		3	3		3	2		2
Professionals	7		4	4		4	4		3	3	
Finance			–	–	–	–	–	–	–	–	–
Spatial/town planning											
Information Technology											
Roads											
Electricity											
Water											
Sanitation											
Refuse											
Other											
Technicians			6	6	–	6	6	–	5	5	–
Finance			5	5		5	5		5	5	
Spatial/town planning											
Information Technology											
Roads											
Electricity			1	1		1	1				
Water											
Sanitation											
Refuse											
Other											
Clerks (Clerical and administrative)			12	12		12	12		12	12	
Service and sales workers											
Skilled agricultural and fishery workers											
Craft and related trades											
Plant and Machine Operators			6	6		6	6		6	6	
Elementary Occupations			68	68		68	68		60	60	
TOTAL PERSONNEL NUMBERS	9		106	96	10	106	96	10	95	86	9

1.15 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

Table 30 MBRR SA25 - Budgeted monthly revenue and expenditure

NC066 Karoo Hoogland - Supporting Table SA25 Consolidated budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source																
Property rates		399	399	500	399	399	399	399	399	399	399	399	370	4 862	5 083	5 388
Property rates - penalties & collection charges														-	-	-
Service charges - electricity revenue		722	722	722	722	722	722	722	722	722	722	722	722	8 669	9 378	10 070
Service charges - water revenue		225	225	225	225	225	225	225	225	225	225	225	225	2 700	2 970	3 267
Service charges - sanitation revenue		144	144	144	144	144	144	144	144	144	144	144	144	1 733	1 837	1 947
Service charges - refuse revenue		147	147	147	147	147	147	147	147	147	147	147	147	1 759	1 865	1 977
Service charges - other														-	-	-
Rental of facilities and equipment														-	-	-
Interest earned - external investments														-	-	-
Interest earned - outstanding debtors														-	-	-
Dividends received														-	-	-
Fines														-	-	-
Licences and permits														-	-	-
Agency services														-	-	-
Transfers recognised - operational		5 801				5 801						5 801		17 403	18 707	19 525
Other revenue		195	195	195	195	195	195	195	195	195	195	195	195	2 343	2 507	2 695
Gains on disposal of PPE														-	-	-
Total Revenue (excluding capital transfers and contributions)		7 634	1 833	1 934	1 833	7 634	1 833	1 833	1 833	1 833	1 833	7 634	1 804	39 469	42 347	44 868
Expenditure By Type																
Employee related costs		1 513	1 513	1 513	1 513	1 513	1 513	1 513	1 513	1 513	1 513	1 513	1 513	18 157	19 428	20 827
Remuneration of councillors		164	164	164	164	164	164	164	164	164	164	164	164	1 973	2 111	2 263
Debt impairment		237	237	237	237	237	237	237	237	237	237	237	237	2 841	3 040	3 259
Depreciation & asset impairment		1 221	1 221	1 221	1 221	1 221	1 221	1 221	1 221	1 221	1 221	1 221	1 221	14 653	14 653	14 653
Finance charges														-	-	-
Bulk purchases		567	567	567	567	567	567	567	567	567	567	567	567	6 800	7 348	7 940
Other materials													1 182	1 182	1 264	1 355
Contracted services														-	-	-
Transfers and grants														-	-	-
Other expenditure		623	623	623	623	623	623	623	623	623	623	623	623	7 479	8 009	8 600
Loss on disposal of PPE														-	-	-
Total Expenditure		4 325	4 325	4 325	4 325	4 325	4 325	4 325	4 325	4 325	4 325	4 325	5 507	53 085	55 854	58 898
Surplus/(Deficit)		3 309	(2 492)	(2 392)	(2 492)	3 309	(2 492)	(2 492)	(2 492)	(2 492)	(2 492)	3 309	(3 703)	(13 616)	(13 506)	(14 030)
Transfers recognised - capital														-	-	-
Contributions recognised - capital														-	-	-
Contributed assets														-	-	-
Surplus/(Deficit) after capital transfers & contributions		3 309	(2 492)	(2 392)	(2 492)	3 309	(2 492)	(2 492)	(2 492)	(2 492)	(2 492)	3 309	(3 703)	(13 616)	(13 506)	(14 030)
Taxation														-	-	-
Attributable to minorities														-	-	-
Share of surplus/ (deficit) of associate														-	-	-
Surplus/(Deficit)	1	3 309	(2 492)	(2 392)	(2 492)	3 309	(2 492)	(2 492)	(2 492)	(2 492)	(2 492)	3 309	(3 703)	(13 616)	(13 506)	(14 030)

Table 31 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

NC066 Karoo Hoogland - Supporting Table SA26 Consolidated budgeted monthly revenue and expenditure (municipal vote)

Description	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand																
Revenue by Vote																
Vote 1 - Council		593	593	593	593	593	593	593	593	593	593	593	593	7 121	7 634	7 988
Vote 2 - Finance		1 685	1 685	1 685	1 685	1 685	1 685	1 685	1 685	1 685	1 685	1 685	1 685	20 214	18 933	20 319
Vote 3 - Rates		428	428	428	428	428	428	428	428	428	428	428	428	5 141	5 452	5 783
Vote 4 - Administration		49	49	49	49	49	49	49	49	49	49	49	49	593	635	680
Vote 5 - Economic Development		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 6 - Libraries		60	60	60	60	60	60	60	60	60	60	60	60	721	771	827
Vote 7 - Commonage		23	23	23	23	23	23	23	23	23	23	23	23	275	294	315
Vote 8 - Townhall & Buildings		14	14	14	14	14	14	14	14	14	14	14	14	163	174	194
Vote 9 - Cemeteries		0	0	0	0	0	0	0	0	0	0	0	0	6	6	6
Vote 10 - Parks, Trees & recreation		2	2	2	2	2	2	2	2	2	2	2	2	24	26	28
Vote 11 - Health		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 12 - Street & Public Works		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 13 - Electricity		890	890	890	890	890	890	890	890	890	890	890	890	10 679	11 481	12 255
Vote 14 - Water		458	458	458	458	458	458	458	458	458	458	458	458	5 500	5 990	6 407
Vote 15 - Refuse & Sanitation		666	666	666	666	666	666	666	666	666	666	666	666	7 997	8 557	8 969
Total Revenue by Vote		4 869	4 869	4 869	4 869	4 869	4 869	4 869	4 869	4 869	4 869	4 869	4 869	58 434	59 952	63 772
Expenditure by Vote to be appropriated																
Vote 1 - Council		338	338	338	338	338	338	338	338	338	338	338	338	4 054	4 307	4 585
Vote 2 - Finance		1 734	1 734	1 734	1 734	1 734	1 734	1 734	1 734	1 734	1 734	1 734	1 734	20 805	19 520	20 911
Vote 3 - Rates		90	90	90	90	90	90	90	90	90	90	90	90	1 078	1 153	1 237
Vote 4 - Administration		446	446	446	446	446	446	446	446	446	446	446	446	5 354	5 713	6 109
Vote 5 - Economic Development		6	6	6	6	6	6	6	6	6	6	6	6	75	80	86
Vote 6 - Libraries		60	60	60	60	60	60	60	60	60	60	60	60	721	771	827
Vote 7 - Commonage		4	4	4	4	4	4	4	4	4	4	4	4	52	56	60
Vote 8 - Townhall & Buildings		44	44	44	44	44	44	44	44	44	44	44	44	529	531	534
Vote 9 - Cemeteries		1	1	1	1	1	1	1	1	1	1	1	1	8	8	9
Vote 10 - Parks, Trees & recreation		72	72	72	72	72	72	72	72	72	72	72	72	860	921	987
Vote 11 - Health		3	3	3	3	3	3	3	3	3	3	3	3	30	32	33
Vote 12 - Street & Public Works		970	970	970	970	970	970	970	970	970	970	970	970	11 640	11 753	11 879
Vote 13 - Electricity		987	987	987	987	987	987	987	987	987	987	987	987	11 842	12 706	13 646
Vote 14 - Water		549	549	549	549	549	549	549	549	549	549	549	549	6 584	6 952	7 358
Vote 15 - Refuse & Sanitation		702	702	702	702	702	702	702	702	702	702	702	702	8 418	8 953	9 542
Total Expenditure by Vote		6 004	6 004	6 004	6 004	6 004	6 004	6 004	6 004	6 004	6 004	6 004	6 004	72 050	73 458	77 800
Surplus/(Deficit) before assoc.		(1 135)	(1 135)	(1 135)	(1 135)	(1 135)	(1 135)	(1 135)	(1 135)	(1 135)	(1 135)	(1 135)	(1 135)	(13 616)	(13 506)	(14 029)
Taxation														–	–	–
Attributable to minorities														–	–	–
Share of surplus/ (deficit) of associate														–	–	–
Surplus/(Deficit)	1	(1 135)	(1 135)	(1 135)	(1 135)	(1 135)	(1 135)	(1 135)	(1 135)	(1 135)	(1 135)	(1 135)	(1 135)	(13 616)	(13 506)	(14 029)

Table 32 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

NC066 Karoo Hoogland - Supporting Table SA27 Consolidated budgeted monthly revenue and expenditure (standard classification)

Description	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue - Standard																
Governance and administration		1 175	1 175	1 175	1 175	1 175	1 175	1 175	1 175	1 175	1 175	1 175	1 175	14 105	15 049	15 866
Executive and council		887	887	887	887	887	887	887	887	887	887	887	887	10 640	11 351	11 911
Budget and treasury office		289	289	289	289	289	289	289	289	289	289	289	289	3 463	3 697	3 954
Corporate services		0	0	0	0	0	0	0	0	0	0	0	0	1	1	1
Community and public safety		99	99	99	99	99	99	99	99	99	99	99	99	1 188	1 271	1 370
Community and social services		97	97	97	97	97	97	97	97	97	97	97	97	1 164	1 245	1 342
Sport and recreation		2	2	2	2	2	2	2	2	2	2	2	2	24	26	28
Public safety																
Housing																
Health																
Economic and environmental services																
Planning and development																
Road transport																
Environmental protection																
Trading services		2 015	2 015	2 015	2 015	2 015	2 015	2 015	2 015	2 015	2 015	2 015	2 015	24 176	26 027	27 631
Electricity		890	890	890	890	890	890	890	890	890	890	890	890	10 679	11 481	12 255
Water		458	458	458	458	458	458	458	458	458	458	458	458	5 500	5 990	6 407
Waste water management		666	666	666	666	666	666	666	666	666	666	666	666	7 997	8 557	8 969
Waste management																
Other																
Total Revenue - Standard		3 289	3 289	3 289	3 289	3 289	3 289	3 289	3 289	3 289	3 289	3 289	3 289	39 469	42 347	44 868
Expenditure - Standard																
Governance and administration		1 733	1 733	1 733	1 733	1 733	1 733	1 733	1 733	1 733	1 733	1 733	1 733	20 800	22 158	23 658
Executive and council		428	428	428	428	428	428	428	428	428	428	428	428	5 132	5 460	5 821
Budget and treasury office		860	860	860	860	860	860	860	860	860	860	860	860	10 315	10 984	11 728
Corporate services		446	446	446	446	446	446	446	446	446	446	446	446	5 354	5 713	6 109
Community and public safety		181	181	181	181	181	181	181	181	181	181	181	211	2 198	2 317	2 449
Community and social services		109	109	109	109	109	109	109	109	109	109	109	109	1 308	1 365	1 427
Sport and recreation		72	72	72	72	72	72	72	72	72	72	72	72	860	921	987
Public safety																
Housing																
Health													30	30	32	34
Economic and environmental services		6	6	6	6	6	6	6	6	6	6	6	11 646	11 716	11 835	11 966
Planning and development		6	6	6	6	6	6	6	6	6	6	6	6	75	80	86
Road transport													11 640	11 640	11 753	11 879
Environmental protection		0	0	0	0	0	0	0	0	0	0	0	0	2	2	2
Trading services		1 531	1 531	1 531	1 531	1 531	1 531	1 531	1 531	1 531	1 531	1 531	1 531	18 370	19 543	20 825
Electricity		775	775	775	775	775	775	775	775	775	775	775	775	9 296	9 982	10 725
Water		302	302	302	302	302	302	302	302	302	302	302	302	3 620	3 781	3 957
Waste water management		454	454	454	454	454	454	454	454	454	454	454	454	5 454	5 781	6 142
Waste management																
Other																
Total Expenditure - Standard		3 451	3 451	3 451	3 451	3 451	3 451	3 451	3 451	3 451	3 451	3 451	15 121	53 085	55 854	58 898
Surplus/(Deficit) before assoc.		(162)	(162)	(162)	(162)	(162)	(162)	(162)	(162)	(162)	(162)	(162)	(11 832)	(13 616)	(13 506)	(14 030)
Share of surplus/ (deficit) of associate																
Surplus/(Deficit)	1	(162)	(162)	(162)	(162)	(162)	(162)	(162)	(162)	(162)	(162)	(162)	(11 832)	(13 616)	(13 506)	(14 030)

Table 33 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

NC066 Karoo Hoogland - Supporting Table SA28 Consolidated budgeted monthly capital expenditure (municipal vote)

Description	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Multi-year expenditure to be appropriated	1															
Vote 1 - Council													-	-	-	-
Vote 2 - Finance													-	-	-	-
Vote 3 - Rates													-	-	-	-
Vote 4 - Administration													-	-	-	-
Vote 5 - Economic Development													-	-	-	-
Vote 6 - Libraries													-	-	-	-
Vote 7 - Commonage													-	-	-	-
Vote 8 - Town hall & Buildings													-	-	-	-
Vote 9 - Cemeteries													-	-	-	-
Vote 10 - Parks, Trees & recreation													-	-	-	-
Vote 11 - Health													-	-	-	-
Vote 12 - Street & Public Works			250			250			250				250	1 000	-	-
Vote 13 - Electricity													-	-	500	1 000
Vote 14 - Water			150			150			150				150	600	-	-
Vote 15 - Refuse & Sanitation			2 223			2 223			2 223				2 223	8 890	8 036	8 183
Capital multi-year expenditure sub-total	2	-	2 623	-	-	2 623	-	-	2 623	-	-	-	2 623	10 490	8 536	9 183
Single-year expenditure to be appropriated																
Vote 1 - Council													-	-	-	-
Vote 2 - Finance													-	-	-	-
Vote 3 - Rates													-	-	-	-
Vote 4 - Administration													-	-	-	-
Vote 5 - Economic Development													-	-	-	-
Vote 6 - Libraries													-	-	-	-
Vote 7 - Commonage													-	-	-	-
Vote 8 - Town hall & Buildings													-	-	-	-
Vote 9 - Cemeteries													-	-	-	-
Vote 10 - Parks, Trees & recreation													-	-	-	-
Vote 11 - Health													-	-	-	-
Vote 12 - Street & Public Works													-	-	-	-
Vote 13 - Electricity													-	-	-	-
Vote 14 - Water													-	-	-	-
Vote 15 - Refuse & Sanitation													-	-	-	-
Capital single-year expenditure sub-total	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure	2	-	2 623	-	-	2 623	-	-	2 623	-	-	-	2 623	10 490	8 536	9 183

Table 34 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

NC066 Karoo Hoogland - Supporting Table SA29 Budgeted monthly capital expenditure (standard classification)

Description	Ref	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Capital Expenditure - Standard	1															
Governance and administration		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Executive and council														-	-	-
Budget and treasury office														-	-	-
Corporate services														-	-	-
Community and public safety		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community and social services														-	-	-
Sport and recreation														-	-	-
Public safety														-	-	-
Housing														-	-	-
Health														-	-	-
Economic and environmental services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Planning and development														-	-	-
Road transport														-	-	-
Environmental protection														-	-	-
Trading services		4 770	1 757	1 757	1 757	1 434	967	967	467	467	473	467	98	15 381	15 006	16 200
Electricity		1 000	500	500	500	500	500	500					-	4 000	3 000	3 500
Water		3 770	1 257	1 257	1 257	934	467	467	467	467	473	467	98	11 381	12 006	12 700
Waste water management													-	-	-	-
Waste management													-	-	-	-
Other													-	-	-	-
Total Capital Expenditure - Standard	2	4 770	1 757	1 757	1 757	1 434	967	967	467	467	473	467	98	15 381	15 006	16 200

Table 35 MBRR SA30 - Budgeted monthly cash flow

NC066 Karoo Hoogland - Supporting Table SA30 Consolidated budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Cash Receipts By Source													1		
Property rates	319	319	528	319	319	160	160	319	319	319	319	430	3 834	4 055	4 360
Property rates - penalties & collection charges	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Service charges - electricity revenue	686	686	686	686	686	686	686	686	686	686	686	686	8 230	8 939	9 631
Service charges - water revenue	169	169	169	169	169	169	169	169	169	169	169	169	2 025	2 295	2 592
Service charges - sanitation revenue	115	115	115	115	115	115	115	115	115	115	115	115	1 383	1 487	1 597
Service charges - refuse revenue	118	118	118	118	118	118	118	118	118	118	118	118	1 410	1 516	1 628
Service charges - other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Rental of facilities and equipment	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Interest earned - external investments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Interest earned - outstanding debtors	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dividends received	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Fines	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Licences and permits	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Agency services	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfer receipts - operational	—	—	—	—	—	—	—	—	—	—	—	17 403	17 403	18 707	19 525
Other revenue	—	—	—	—	—	—	—	—	—	—	—	2 343	2 343	2 507	2 695
Cash Receipts by Source	1 407	1 407	1 615	1 407	1 407	1 247	1 247	1 407	1 407	1 407	1 407	21 264	36 628	39 506	42 027
Other Cash Flows by Source															
Transfer receipts - capital	—	—	2 623	—	—	2 623	—	—	2 623	—	—	2 623	10 490	8 536	9 183
Contributions recognised - capital & Contributed assets	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Proceeds on disposal of PPE	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Short term loans	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Borrowing long term/refinancing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Increase (decrease) in consumer deposits	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Decrease (Increase) in non-current debtors	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Decrease (increase) other non-current receivables	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Decrease (increase) in non-current investments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Cash Receipts by Source	1 407	1 407	4 238	1 407	1 407	3 870	1 247	1 407	4 029	1 407	1 407	23 886	47 118	48 042	51 210
Cash Payments by Type															
Employee related costs	1 397	1 397	1 397	1 397	2 793	1 397	1 397	1 397	1 397	1 397	1 397	1 397	18 157	—	—
Remuneration of councillors	164	164	164	164	164	164	164	164	164	164	164	164	1 973	—	—
Finance charges	237	237	237	237	237	237	237	237	237	237	237	237	2 841	—	—
Bulk purchases - Electricity	567	567	567	567	567	567	567	567	567	567	567	567	6 800	—	—
Bulk purchases - Water & Sewer	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other materials	98	98	98	98	98	98	98	98	98	98	98	98	1 182	—	—
Contracted services	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers and grants - other municipalities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers and grants - other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other expenditure	623	623	623	623	623	623	623	623	623	623	623	623	7 479	—	—
Cash Payments by Type	3 086	3 086	3 086	3 086	4 483	3 086	3 086	3 086	3 086	3 086	3 086	3 086	38 432	—	—
Other Cash Flows/Payments by Type															
Capital assets	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Repayment of borrowing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other Cash Flows/Payments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Cash Payments by Type	3 086	3 086	3 086	3 086	4 483	3 086	3 086	3 086	3 086	3 086	3 086	3 086	38 432	—	—
NET INCREASE/(DECREASE) IN CASH HELD	(1 679)	(1 679)	1 152	(1 679)	(3 076)	783	(1 839)	(1 679)	943	(1 679)	(1 679)	20 800	8 686	48 042	51 210
Cash/cash equivalents at the monthly year begin:	—	(1 679)	(3 359)	(2 207)	(3 887)	(6 963)	(6 180)	(8 019)	(9 698)	(8 755)	(10 435)	(12 114)	—	8 686	56 728
Cash/cash equivalents at the monthly year end:	(1 679)	(3 359)	(2 207)	(3 887)	(6 963)	(6 180)	(8 019)	(9 698)	(8 755)	(10 435)	(12 114)	8 686	8 686	56 728	107 938

1.16 ANNUAL BUDGETS AND SDBIPS – INTERNAL DEPARTMENTS

Departmental Heads are responsible to control the budgets for the individual sections and sub-sections under their control. The SDBIP enable the evaluation of the departments based on their budget control as well as service delivery.

1.17 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

In terms of the KHM's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

1.18 CAPITAL EXPENDITURE DETAILS

The following table present details of the KHM's capital expenditure program.

NC066 Karoo Hoogland - Supporting Table SA34a Consolidated capital expenditure on new assets by asset class

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1									
Capital expenditure on new assets by Asset Class/Sub-class										
Infrastructure		3 051	–	–	–	–	–	10 490	8 536	9 183
Infrastructure - Road transport		–	–	–	–	–	–	–	–	–
Roads, Pavements & Bridges										
Storm water										
Infrastructure - Electricity		–	–	–	–	–	–	1 000	500	1 000
Generation										
Transmission & Reticulation								1 000	500	1 000
Street Lighting										
Infrastructure - Water		–	–	–	–	–	–	9 490	8 036	8 183
Dams & Reservoirs								600		
Water purification										
Reticulation								8 890	8 036	8 183
Infrastructure - Sanitation		3 051	–	–	–	–	–	–	–	–
Reticulation										
Sewerage purification		3 051								
Infrastructure - Other		–	–	–	–	–	–	–	–	–
Waste Management										
Transportation	2									
Gas										
Other	3									
Community		–	–	–	–	–	–	–	–	–
Parks & gardens										
Sportsfields & stadia										
Swimming pools										
Community halls										
Libraries										
Recreational facilities										
Fire, safety & emergency										
Security and policing										
Buses	7									
Clinics										
Museums & Art Galleries										
Cemeteries										
Social rental housing	8									
Other										
Heritage assets		–	–	–	–	–	–	–	–	–
Buildings										
Other	9									
Investment properties		–	–	–	–	–	–	–	–	–
Housing development										
Other										
Other assets		–	–	–	–	–	–	–	–	–
General vehicles										
Specialised vehicles										
Plant & equipment										
Computers - hardware/equipment										
Furniture and other office equipment										
Abattoirs										
Markets										
Civic Land and Buildings										
Other Buildings										
Other Land										
Surplus Assets - (Investment or Inventory)										
Other	10									
Agricultural assets		–	–	–	–	–	–	–	–	–
List sub-class										
Biological assets		–	–	–	–	–	–	–	–	–
List sub-class										
Intangibles		–	–	–	–	–	–	–	–	–
Computers - software & programming										
Other (list sub-class)										
Total Capital Expenditure on new assets	1	3 051	–	–	–	–	–	10 490	8 536	9 183

NC066 Karoo Hoogland - Supporting Table SA34a Consolidated capital expenditure on new assets by asset class

Description		Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand		1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital expenditure on new assets by Asset Class/Sub-class											
Infrastructure			3 051	–	–	–	–	–	10 490	8 536	9 183
Infrastructure - Road transport			–	–	–	–	–	–	–	–	–
Roads, Pavements & Bridges											
Storm water											
Infrastructure - Electricity			–	–	–	–	–	–	1 000	500	1 000
Generation											
Transmission & Reticulation									1 000	500	1 000
Street Lighting											
Infrastructure - Water			–	–	–	–	–	–	9 490	8 036	8 183
Dams & Reservoirs									600		
Water purification											
Reticulation									8 890	8 036	8 183
Infrastructure - Sanitation			3 051	–	–	–	–	–	–	–	–
Reticulation											
Sewerage purification			3 051								
Infrastructure - Other			–	–	–	–	–	–	–	–	–
Waste Management											
Transportation											
Gas											
Other											
Community			–	–	–	–	–	–	–	–	–
Parks & gardens											
Sportsfields & stadia											
Swimming pools											
Community halls											
Libraries											
Recreational facilities											
Fire, safety & emergency											
Security and policing											
Buses											
Clinics											
Museums & Art Galleries											
Cemeteries											
Social rental housing											
Other											
Heritage assets			–	–	–	–	–	–	–	–	–
Buildings											
Other											
Investment properties			–	–	–	–	–	–	–	–	–
Housing development											
Other											
Other assets			–	–	–	–	–	–	–	–	–
General vehicles											
Specialised vehicles			–	–	–	–	–	–	–	–	–
Plant & equipment											
Computers - hardware/equipment											
Furniture and other office equipment											
Abattoirs											
Markets											
Civic Land and Buildings											
Other Buildings											
Other Land											
Surplus Assets - (Investment or Inventory)											
Other											
Agricultural assets			–	–	–	–	–	–	–	–	–
List sub-class											
Biological assets			–	–	–	–	–	–	–	–	–
List sub-class											
Intangibles			–	–	–	–	–	–	–	–	–
Computers - software & programming											
Other (list sub-class)											
Total Capital Expenditure on new assets			1	3 051	–	–	–	–	10 490	8 536	9 183

Table 36 MBRR SA37 - Projects delayed from previous financial year

All projects are multi-year projects and no delays were experienced.

1.19 LEGISLATION COMPLIANCE STATUS

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. **IN YEAR REPORTING**

Reporting to National Treasury in electronic format was fully complied with on a monthly basis although sometimes late. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved.

2. **INTERNSHIP PROGRAM**

The KHM is participating in the Municipal Financial Management Internship program and has employed two interns undergoing training in various divisions of the Financial Services Department.

3. **BUDGET AND TREASURY OFFICE**

The Budget and Treasury Office has been established in accordance with the MFMA but has been unstaffed for last 4 years

4. **AUDIT COMMITTEE**

New committee to be established.

5. **SERVICE DELIVERY AND IMPLEMENTATION PLAN**

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2014 / 2015 MTREF..

6. **ANNUAL REPORT**

Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. **MFMA TRAINING**

No training has been done on MFMA due to limited resources.

8. **POLICIES**

An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

1.20 OTHER SUPPORTING DOCUMENTS

Table 37 MBRR SA32 – List of external mechanisms

No external mechanisms exist

1.21 MUNICIPAL MANAGER'S QUALITY CERTIFICATE

I, Municipal Manager of Karoo Hoogland Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Municipal Manager of Karoo Hoogland Municipality (NC066)

Signature _____

Date _____